

## Message Text

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71

ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-11 AID-20 AGR-20 SSO-00 NSCE-00

USIE-00 INRE-00 IGA-02 COME-00 TRSE-00 OMB-01 CIAE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 FEA-02 STR-08 IO-14 /176 R

DRAFTED BY ARA/BC/B:JRBINNS:BJD

APPROVED BY ARA/BC:JEKARKASHIAN

LA/DPJROYER (DRAFT)

EB/FPD:ARIMAS (DRAFT)

AID/FFP:JDURNAN (PHONE)

USDA:FJACK (PHONE)

USDA:KSEVERIN (PHONE)

USDA:GTUSSEY (PHONE)

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O 172158Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ IMMEDIATE

C O N F I D E N T I A L STATE 010832

E.O. 11652:GDS

TAGS: EAID, BL

SUBJECT: WHEAT FOR BOLIVIA

REF: LA PAZ 246

1. WHILE DEPARTMENT FULLY APPRECIATES POSSIBLE POLITICAL CONSEQUENCES OF A WHEAT SHORTFALL IN BOLIVIA, CURRENT WHEAT SUPPLY IS EXTREMELY TIGHT RESULTING FROM CONTINUED STRONG COMMERCIAL DEMAND (JANUARY 16 SPOT PRICE WAS DOLS 5.91 PER BUSHEL, OR DOLS 218 PER TON). SUPPLY SITUATION HAS DETERIORATED SINCE THE ORIGINAL USG DECISION TO PLACE A MORATORIUM ON CCC CREDIT.

2. IN RECENT MEETING WITH AMBASSADOR VALENCIA (STATE 5164) WE INDICATED OUR WILLINGNESS TO CONSIDER BOLIVIA'S REQUEST FOR PL 480 WHEAT IN FY 75, IN THE EVENT THE SUPPLY SITUATION  
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EASES, AND SUGGESTED THAT THE GOB LOOK TO THE COMMERCIAL

MARKET TO COVER THE ANTICIPATED APRIL-JUNE SHORTFALL (COMMERCIAL PURCHASES WOULD ALSO REDUCE BOLIVIA'S UMR DEFICIT). WE STRESSED, HOWEVER, THAT GOB SHOULD NOT MAKE ITS PLANS ON THE EXPECTATION THAT PL 480 WHEAT WILL BE AVAILABLE IN FY 75.

3. REGARDING THE BURDEN COMMERCIAL PURCHASES WOULD PLACE ON BOLIVIA'S FOREIGN EXCHANGE EARNINGS, WE NOTE THAT BOLIVIA'S 1974 PETROLEUM EXPORT EARNINGS SHOULD REACH DOLS 14 MILLION PER MONTH, AS COMPARED TO LESS THAN DOLS 3 MILLION PER MONTH IN 1972. THESE PROJECTIONS INDICATE

INCREASED PETROLEUM EXPORT EARNINGS FOR ONE MONTH WOULD BE SUFFICIENT TO COVER ALL OR MOST OF THE COST OF WHEAT PURCHASED ON THE COMMERCIAL MARKET TO FILL THE EXPECTED APRIL-JUNE SHORTFALL.

4. DEPARTMENT UNDERSTANDS COMMERCIAL CREDIT (SIX TO TWELVE MONTHS, AT VARYING INTEREST RATES) MAY BE AVAILABLE FROM BANKS AND LARGER COMMERCIAL GRAIN EXPORTERS. WE ALSO UNDERSTAND SOME EXPORTERS OFFER BETTER TERMS THAN COMMERCIAL BANKS. REGARDING POSSIBLE USG ASSISTANCE ON GOB COMMERCIAL PURCHASE, USDA ADVISES THAT IT MUST AVOID ANY APPEARANCE OF FAVORING ONE EXPORTER OR GROUP OF EXPORTERS AND, ACCORDINGLY, CANNOT BECOME INVOLVED IN COMMERCIAL TRANSACTIONS. HOWEVER, GOB USES AN ESTABLISHED COMMERCIAL AGENT TO HANDLE ITS PL 480 TRANSACTIONS AND COULD CALL UPON HIM FOR ASSISTANCE IN A STRAIGHT COMMERCIAL PURCHASE.  
RUSH

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## Message Attributes

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